FY18 Supply Chain Sustainability Progress Report

June 2018

At Dell, sustainability is one of our core business values and we are committed to building a diverse, responsible and resilient supply chain. We continue our work to protect workers, communities and the environment — addressing key social and environmental risks in the electronics industry and partnering with suppliers and stakeholders to drive sustainable change and create long-term success.

We manage responsible business practices in one of the largest supply chains in the world and this report provides us the opportunity to communicate with you, our stakeholders, about both the progress we have made and the challenges we have encountered. In it, we have detailed the key actions that represent our sustainability focus, including:

- Conducting nearly 450 audits

- Hosting customers on a tour of our supply chain for a third year

- Creating a virtual reality experience that allows anyone a view into the lives of workers in our supply chain

- Collaborations with our suppliers that allowed us to reach 35,000 workers who are valuable partners in our sustainability efforts

- Spending over $3 billion with diverse businesses for the sixth year in a row

- Confirming 100% of our final assembly suppliers are free of our restricted process chemicals

- Enhancing supplier performance through capability-building programs provided to nearly 800 supplier staff members

- Reducing wastewater discharge and freshwater used through 110 water risk mitigation projects

- Improving our ranking to #2 across all industries in the Green Choice Alliance Corporate Information Transparency Index

Our progress toward a sustainable supply chain adds value to our business by enhancing our ability to innovate, contributing toward the management of our social and environmental resources and meeting our customers' needs. We know we can't do it alone, but we are committed to engaging with our customers, suppliers and peers to create solutions that protect our people and the planet.

Kevin Brown

Executive Vice President, Global Operations and Chief Supply Chain Officer

Dell Technologies

Overview

As Dell has evolved, so has our approach to sustainability and our supply chain. Our efforts to create a sustainable supply chain are one part of Dell's strategic vision for sustainability, which is outlined in Dell's 2020 Legacy of Good Plan. Our supply chain sustainability efforts continue to focus on innovative practices that create shared value beyond the bottom line.

Timeline

FY05
- **Founding member of the Responsible Business Alliance** (formerly Electronics Industry Citizenship Coalition) to drive a collaborative, industry-wide effort promoting a common code of conduct for electronics manufacturers

FY08
- **Joined the Billion Dollar Roundtable** which recognizes corporations spending more than $1 billion with minority and women-owned suppliers
- **Launched** efforts to promote the responsible sourcing of minerals known as 3TG

FY13
- **Launched 2020 Legacy of Good plan,** outlining our goals around corporate social responsibility, including: auditing 100% of high-risk suppliers and monitoring our suppliers' GHG emissions and reduction targets

FY15
- **Conducted a water hotspot survey of 200+ suppliers,** which has informed our ongoing efforts to help suppliers mitigate water risks
- **Began monitoring weekly working hours** at our largest and most strategic partners

FY16
- **Added cobalt** to our Responsible Minerals Program
- **First in the electronics industry** to host customers on tours of Dell and suppliers' factories in China to increase transparency
- **Implemented our Vulnerable Worker Policy** to protect workers in our supply chain
- **Expanded our supplier capability** building programs to include in-person trainings and RBA online training modules

FY17
- **Dell acquired EMC,** increasing the size of our supply chain and our opportunities to enhance sustainability
- **Established a program to monitor working conditions** of non-production workers in our supply chain
- **Introduced our worker hotline** to allow workers to contact Dell directly; which has since been expanded to all of our largest suppliers
- **Quadrupled the number of Dell employees** helping to build suppliers' capabilities through the Procurement Champions Program
- **Launched our environmental risk assessment tool** to help suppliers increase environmentally-responsible business practices

FY18
- **Began working with suppliers** to provide health and safety training directly to workers
- **Published our Guidelines for Management of Manufacturing Chemicals** to protect the safety of workers in our supply chain
- **Expanded our monitoring of pollutant releases** to better assess the environmental impact of our supply chain
- **Extended our responsible minerals monitoring** efforts to include mica
- **Improved** our ranking in the Green Choice Alliance Corporate Information Transparency Index to #2 overall
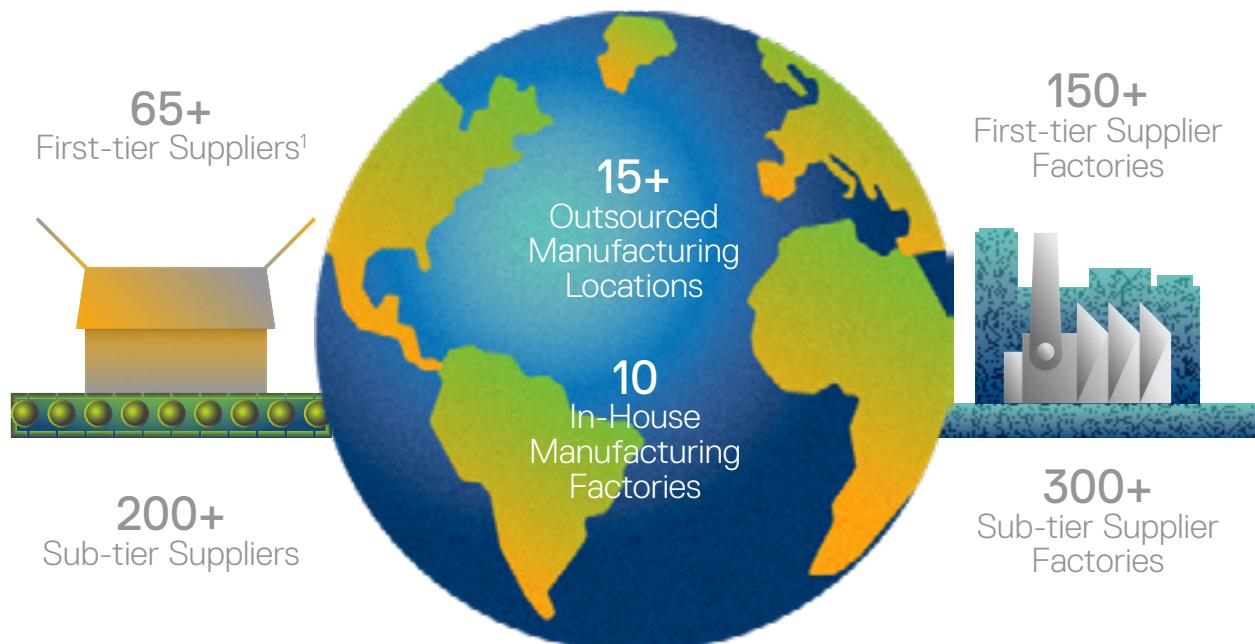
Our Global Supply Chain

Circles of Influence

We ship over 200,000 orders a day — providing enough product to fill one and a half 747 jumbo jets with the computers, storage and server products we build and our customers require. Building these products requires thousands of components that come to us through a complex supply chain made up of Dell-owned and outsourced manufacturing factories, third-party suppliers and even our suppliers' suppliers. This adds up to one of the largest supply chains in the world and allows us to reach, service and support customers globally. It also comes with a responsibility to have a positive impact on the communities in which we operate.

Most of our suppliers provide materials for multiple products, and sometimes we source the same component from multiple suppliers. The volume of business we conduct with our suppliers' shifts as business needs change — altering the mix of suppliers that contribute parts for each product. Therefore, we take a holistic approach to monitoring supplier performance. This provides visibility into all our first-tier and managed sub-tier suppliers[1] and delivers insights into the numerous businesses and people around the world who contribute to manufacturing our products. These insights help guide our supply chain sustainability progress. A list of our direct material suppliers, including their addresses, is available on our website.

Suppliers across
39 countries on 6 continents

65+
First-tier Suppliers[1]

15+
Outsourced Manufacturing Locations

10
In-House Manufacturing Factories

150+
First-tier Supplier Factories

200+
Sub-tier Suppliers

300+
Sub-tier Supplier Factories
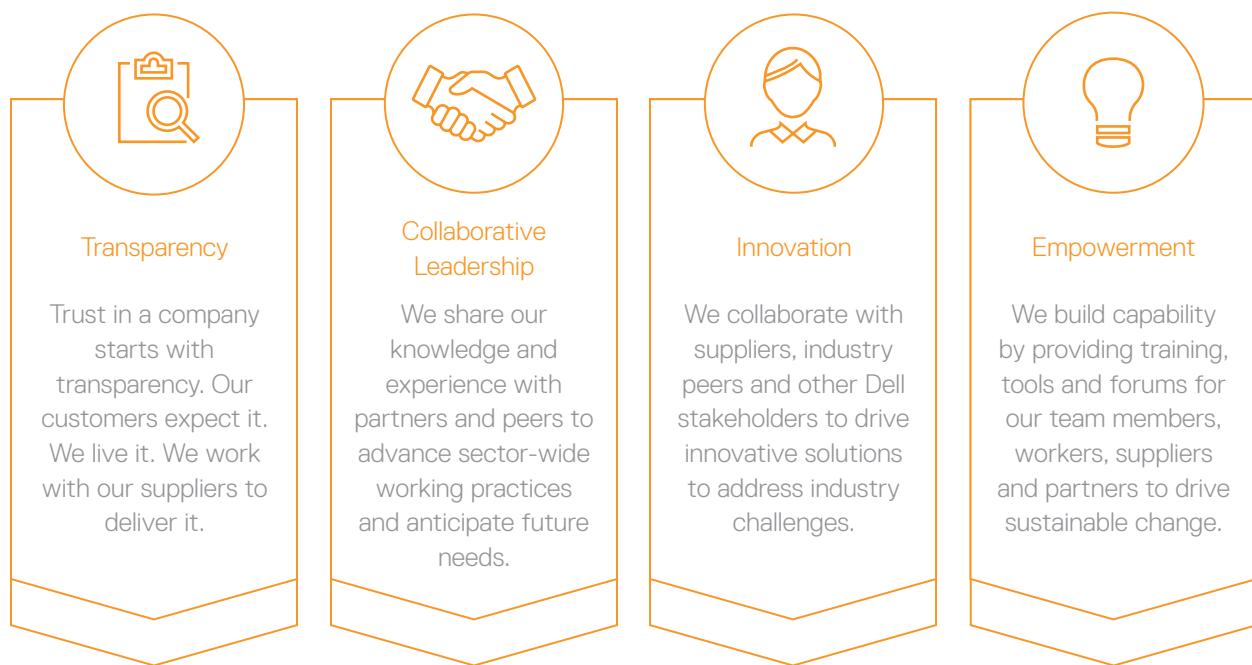
[1] Our first-tier suppliers include Original Design Manufacturers, Final Assembly and Direct Material suppliers with whom we have a direct relationship. Sub-tier includes certain production suppliers which are known to be in Dell's supply chain but for which Dell does not have direct contractual relationship.

Our Approach to Supply Chain Sustainability

We are committed to transparency, collaborative leadership, innovation and empowering workers and suppliers in our efforts to improve the sustainability of our supply chain. We continuously monitor our suppliers' adherence to our standards and work with them and other stakeholders to address potential risks.

Since we issued our first Supply Chain Social and Environmental Responsibility (SER) Progress Report in FY16, we have worked to increase transparency and the sustainability of our supply chain. This report provides an overview of the progress we made in FY18[2] and introduces some of our priorities for FY19.

Our Supply Chain Sustainability Pillars

Transparency

Trust in a company starts with transparency. Our customers expect it. We live it. We work with our suppliers to deliver it.

Collaborative Leadership

We share our knowledge and experience with partners and peers to advance sector-wide working practices and anticipate future needs.

Innovation

We collaborate with suppliers, industry peers and other Dell stakeholders to drive innovative solutions to address industry challenges.

Empowerment

We build capability by providing training, tools and forums for our team members, workers, suppliers and partners to drive sustainable change.

[2] Dell's fiscal year 2018 ran from February 2017 through January 2018.

Engaging Stakeholders

Stakeholder input helps us in our efforts to continuously improve our business. We believe that through proactive engagement and candid discussions we can identify common challenges, and work collaboratively to drive and amplify positive change in business and communities across the globe. We lead change by continuously sharing experience and driving collaboration with a range of stakeholders.

Customers

We provide a clear view into our activities and those of our supply chain partners, transparently communicating the information our customers are looking for.

- Publicly disclose progress and information on our website
- Respond to customer inquiries
- Host customers on tours of supplier factories and leverage virtual reality to provide access to Dell and supplier factories
- Conduct feedback and advisory panels

Suppliers

We hold our suppliers to the same high standards we set for ourselves and build their capabilities to both achieve and exceed these standards.

- Communicate and enforce Dell's Supplier Principles, Dell policies and the RBA Code of Conduct
- Survey and audit suppliers
- Manage supplier corrective action plans and drive accountability through quarterly business reviews
- Identify and implement capability-building programs

Workers

We develop a deeper understanding of workers' experiences in our supply chain to improve worker well-being.

- Facilitate open communication and engagement, including the availability of grievance mechanisms
- Build capabilities and professional skills through training
- Monitor working conditions

Industry

We work with peers, within and outside the technology sector, to address social, environmental, and business risks we cannot solve alone.

- Participate in 10+ industry working groups via the Responsible Business Alliance, Responsible Minerals Initiative, Clean Electronics Production Network and other organizations
- Work to standardize supplier reporting and audits and increase focus on supplier performance improvement
- Collaborate to address emerging risks in global supply chains

Non-Governmental Organizations

We value dialogue, including feedback from non-governmental organizations, to help us in our efforts for continuous improvement.

- Contribute to on-going dialogue
- Participate in conferences
- Respond to surveys and benchmarking exercises
- Conduct joint projects

Overview of Our Sustainability Programs

Dell is committed to responsible business practices for ourselves and our suppliers. Our high expectations are described in our Supplier Principles. These must be followed as a condition of doing business with Dell. As a founding and active member of the Responsible Business Alliance (RBA), we also abide by and hold our suppliers accountable to the Responsible Business Alliance (RBA) Code of Conduct, as well as international standards such as the United Nation's Guiding Principles on Business and Human Rights and local laws and regulations.

We have established programs and resources to monitor our supply chain and to partner with suppliers to advance our supply chain sustainability goals. Most of our oversight and capability building activities focus on first-tier suppliers; which include Original Design Manufacturers, Final Assembly and Direct Material suppliers with whom we have a direct relationship. We also include sub-tier suppliers in our programs when risks or opportunities for influence are identified.

Program	Objective	Scope of Program Coverage		
		ODMs	First-tier Suppliers	Sub-tier Vendors Assigned by Dell
Audit program	Monitor suppliers' compliance with our expectations and the RBA Code of Conduct, and compel improvements that increase the sustainability of our supply chain	100%	Partial	Partial
SER Capability Building	Collaborate with and share best practices with our suppliers to drive long-term, sustainable change	100%	Partial	Partial
Worker Hotline	Empower workers and provide an independent mechanism to communicate with and provide feedback to Dell	100%	Partial	
Weekly Working Hour Monitoring	Drive compliance with our expectations for weekly working hours, which are designed to help protect the health and safety of workers	Partial	Partial	Partial
On-site Service Provider (OSP) Monitoring[3]	Confirm workers in non-production roles are treated in accordance with our policies and the RBA Code of Conduct	Partial	Partial	
Worker Training and Development	Enhance workers' knowledge to protect their health and safety and increase worker engagement	100%	Partial	Partial
Process Chemicals	Enhance our risk management and further safeguard human and environmental health	100%	Partial	
Water Risk Mitigation	Help suppliers identify and mitigate risks that could compromise their own and their communities' access to water	Partial	Partial	Partial

■ 100% - All suppliers within this category are in scope for this program.

▨ Partial - Some, but not all, suppliers in this category are in scope. The suppliers included in program activities are based on risk level and identified opportunities for influence.

[3] We cover OSPs in our own factories, and have begun rolling out additional activities to work with OSPs at our suppliers' factories

Program	Objective	Scope of Program Coverage		
		ODMs	First-tier Suppliers	Sub-tier Vendors Assigned by Dell
GHG and Energy Reduction	Propel suppliers to inventory and reduce greenhouse gas emissions and promote energy savings in our supply chain	100%	Partial	
Public Reporting of Toxic Releases (PRTR)	Assess suppliers' environmental performance and increase their capabilities to prevent the release of potentially harmful substances	Partial	Partial	
Supplier Sustainability Reporting	Promote transparency among our suppliers and ensure they have strong sustainability and risk management programs	100%	Partial	
Environmental Risk Mitigation Tool	Proactively increase environmentally responsible business practices among suppliers producing commodities with known environmental risks		Partial	Partial
Responsible Minerals	Promote responsible sourcing and address risks associated with mining operations in high-risk and conflict-affected areas	100%	100%	100%
Supplier Resilience	Create a secure and resilient supply chain through supplier risk mitigation and disruption management	100%	100%	Partial
Supplier Diversity	Drive inclusion for qualified minority, women, and small businesses to create strategic relationships that support Dell's business	100%	100%	

■ 100% - All suppliers within this category are in scope for this program.

▨ Partial - Some, but not all, suppliers in this category are in scope. The suppliers included in program activities are based on risk level and identified opportunities for influence.

Our FY18 Supply Chain Sustainability Progress

Systems to Manage Supplier Risks

Management systems are key to driving supplier compliance with sector-wide standards including the RBA Code of Conduct. They also help build suppliers' capabilities to meet Dell's expectations for a sustainable supply chain.
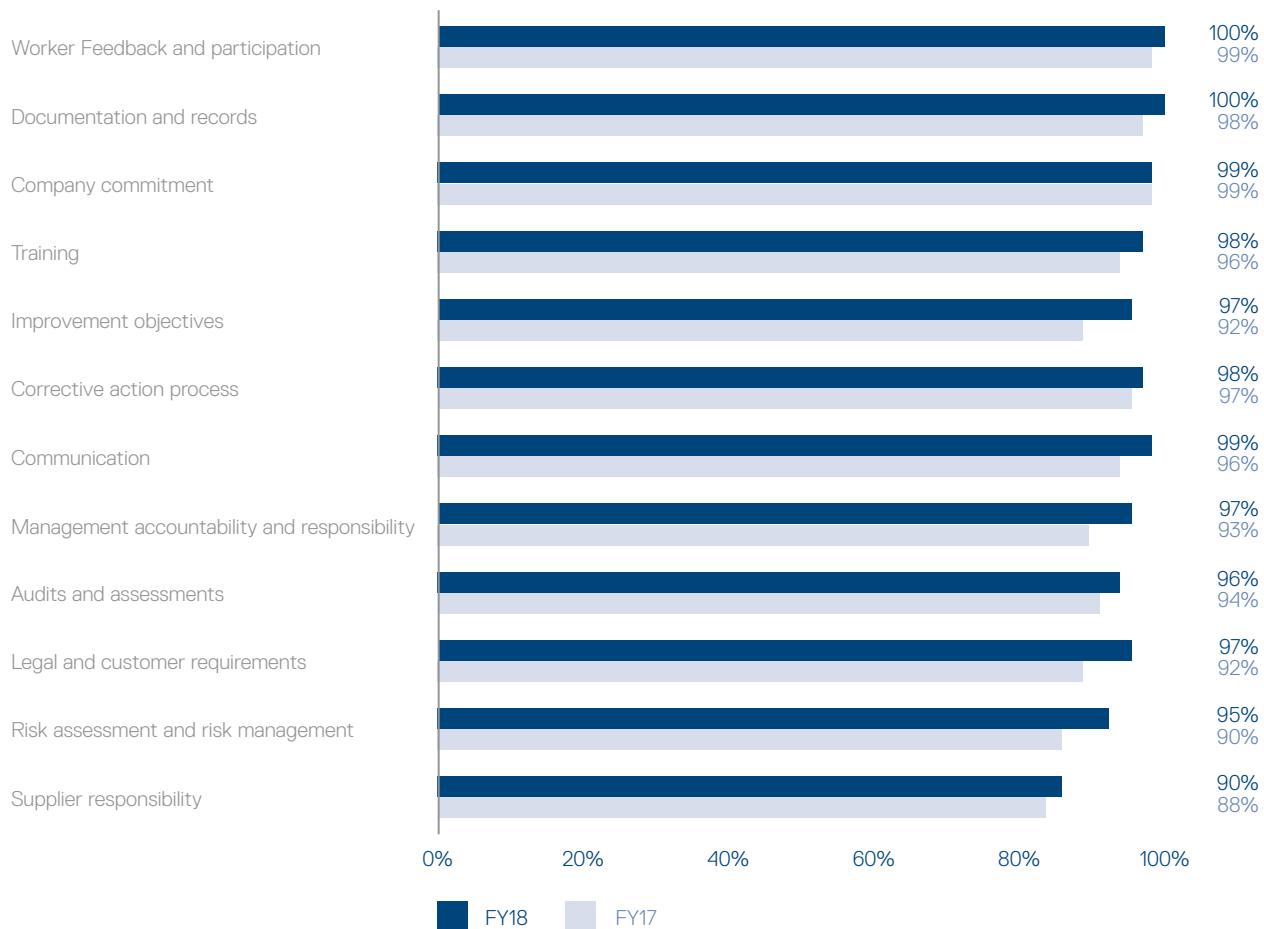
Key Actions:

- Audit our suppliers and monitor implementation of corrective actions
- Build suppliers' Social and Environmental Responsibility (SER) capabilities
- Provide transparency and report progress toward our supply chain sustainability goals

FY18 Progress:

- Compliance with all required policies and systems used to manage risk and facilitate continuous improvement was at least 90%.
- In FY18, the average score for management systems requirements was 97%, a 2% increase from the FY17 average.

Compliance with Management System Requirements, FY17-18

Category	FY18	FY17
Worker Feedback and participation	100%	99%
Documentation and records	100%	98%
Company commitment	99%	99%
Training	98%	96%
Improvement objectives	97%	92%
Corrective action process	98%	97%
Communication	99%	96%
Management accountability and responsibility	97%	93%
Audits and assessments	96%	94%
Legal and customer requirements	97%	92%
Risk assessment and risk management	95%	90%
Supplier responsibility	90%	88%

Legend: ■ FY18 ■ FY17

Compliance represents the number of factories audited that did not have major or priority findings related to RBA Code of Conduct provisions

We continuously work with our suppliers to understand and address risks and challenges to improve their social, environmental and resilience performance. We have made progress in addressing these risks through our supply chain sustainability programs and our process of continuous improvement:

Risk Assessment: We assess all of our suppliers based on factors such as spend, commodity type, geography, past performance, and other risk indicators applicable to each program. All suppliers determined to be high-risk and Dell-owned factories are added to our audit plan. Select medium- and low-risk suppliers are also included.

Audit Process: We audit select suppliers to monitor their adherence to the RBA Code of Conduct. In some cases, we also employ internal systems that supplement RBA audits to monitor and measure our suppliers' progress toward Dell's goals.
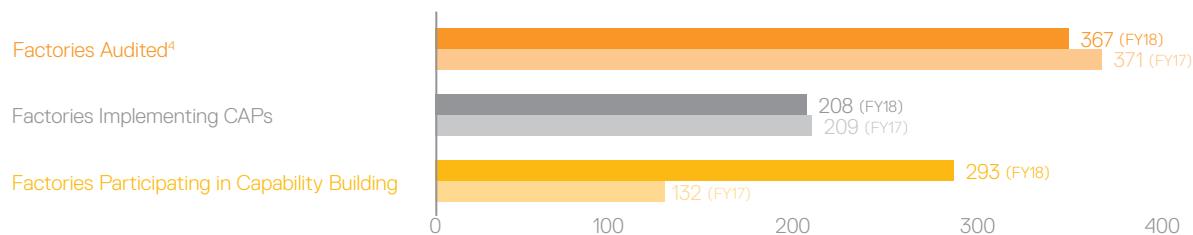
Corrective Action Plans: Any supplier found in nonconformance of our supplier monitoring programs must complete corrective action plans (CAPs) to identify root causes and address findings. We work with our suppliers to develop these plans, and we evaluate evidence or conduct closure audits to confirm corrective action plans have been completed.

Capability Building: Dell works with our suppliers to help them obtain the knowledge and tools to address audit or survey findings. It is our goal to help our suppliers ultimately build their own sustainability governance systems during this process.

Risk Assessment

Continuous Improvement

Capability Building

Audit Process

Corrective Action Plans

68% **of factories** that have undergone two audit cycles improved their initial audit scores – with an average improvement of 33% (65 points out of 200).

Number of Factories Participating in Our Cycle of Continuous Improvement

Factories Audited[4]
367 (FY18)
371 (FY17)

Factories Implementing CAPs
208 (FY18)
209 (FY17)

Factories Participating in Capability Building
293 (FY18)
132 (FY17)

0   100   200   300   400

[4]Factories audited represents the number of unique factories for which Dell received audit reports that are based on Responsible Business Alliance standards.

A key element of Dell's supply chain sustainability program is our comprehensive approach to supplier capability building. This sets our suppliers up for long-term success as they gain skills and knowledge to meet and even exceed Dell and RBA requirements. Last year, nearly 800 unique participants from over 290 supplier factories were trained on the RBA Code of Conduct and supplier management systems. Participants in the RBA e-learning academy went on to conduct team study sessions within their factories — **benefitting nearly 8,000 additional workers. In addition to our supplier management trainings, health and safety training was provided directly to 35,000 workers.**

In FY18 we added monthly webinars to supplement our online training options and increase access to our capability building programs. We also will be providing in-person trainings in Malaysia, Poland and Brazil, in addition to China, in FY19.

Dell Supplier Capability Building Programs

SER Supplier Orientation
Instructors lead training sessions to help suppliers understand Dell's SER Requirements and the RBA Code of Conduct.

RBA Learning Academy
Dell develops individualized training plans that suppliers complete via RBA online trainings. After completion, participants share their knowledge by leading training inside their factories.

SMaRT Library
An internal training platform offers suppliers targeted courses on SER and risk management. Suppliers may choose from 19 modules which can be taken in English, Spanish and Chinese.

SER Networking Sessions
Six sessions are held annually to connect sustainability practitioners and suppliers. Participants share best practices on SER topics identified as opportunities for improvement in audit findings.

Webinars
Monthly webinars are presented by the Dell SER team, and provide information on commonly identified audit findings and best practices for improving compliance.

For the past three years, we have hosted customer tours of both Dell and supplier factories in China. These tours provide transparency into our supply chain operations and demonstrate how we work with suppliers to improve sustainability. In FY18 we created a virtual reality experience of these tours, which is available to anyone interested in our supply chain. Through the virtual reality videos, viewers can visit the production floor, dormitories and hear directly from workers during an engagement session.

Developing Supplier Capability and Performance

Our SER specialists in China partnered with one of our suppliers that had a low audit score in FY17. The supplier's initial audit uncovered several priority and major findings such as ensuring workers who resigned were paid within RBA-defined timelines, all x-ray machines had radiation safety certificates, and hazardous waste procedures were followed. The supplier had been unable to complete corrective actions addressing these findings. Together, we set a goal to develop the supplier's management systems and processes to improve their audit score to above 120 (the total possible score is 200). In FY18, the supplier underwent a follow-up audit and achieved a score of 150 - exceeding our goal by 25 percent.

One key to their improvement was the active involvement of our SER specialist team in China. From the start we worked together to determine the root causes of audit findings — many of which related to management's lack of training on RBA guidelines. Our specialists held monthly reviews with the supplier to build the knowledge, skills, and tools they needed to ensure responsible social and environmental management processes were followed.

In total, our staff provided 24 hours of training and 32 hours of on-site coaching at no cost to the supplier. These activities helped the supplier systematically enhance and develop long-term management tactics to comply with RBA provisions related to areas such as labor and health and safety. The supplier also established risk assessment management procedures, an internal audit function, and corrective action plan management processes. Dell's commodity team has been regularly reviewing the supplier's progress and integrating it into sourcing decisions.

This supplier's improvement to an audit score of 150 is a great start, but we strive for continuous improvement. Our specialists are continuing to work with this supplier to further develop their systems and implement corrective action plans that drive sustainable change.

Upholding Workers' Rights

We strive to assure all people working on Dell's behalf are treated with respect and dignity, are working under their own free will and are properly compensated for their work.
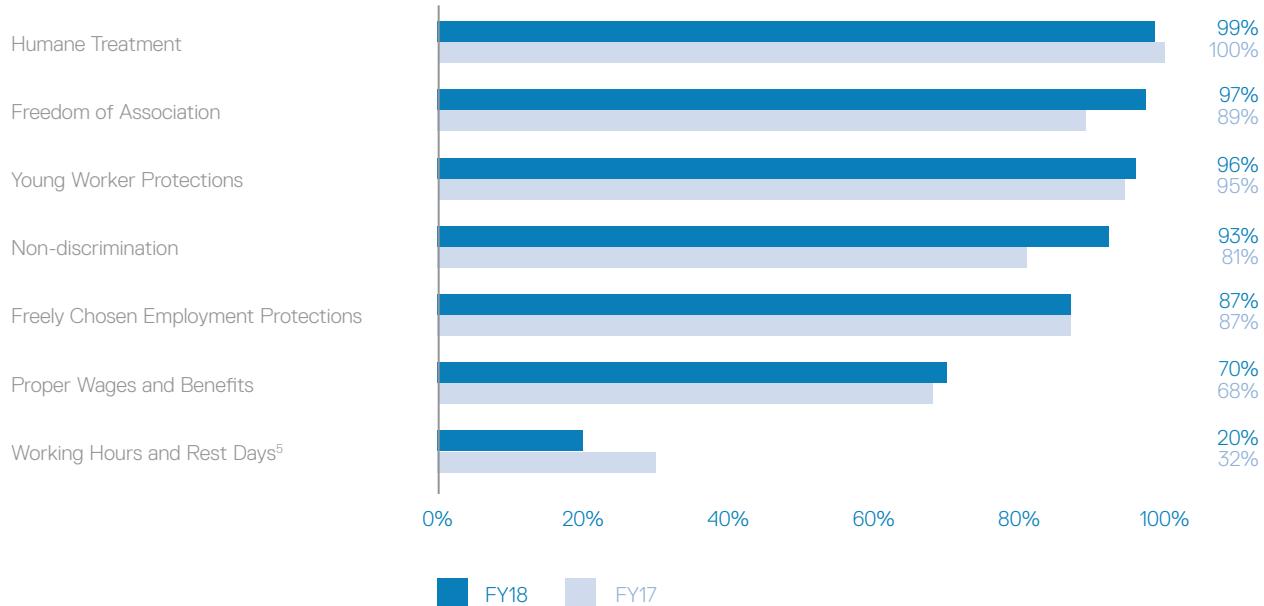
Key Actions:

- Closely monitor high-impact issues such as working hours and recruitment fees
- Hold suppliers accountable to our Vulnerable Worker Policy
- Monitor production and non-production workers

FY18 Progress:

- In FY18 the average rate of compliance for labor requirements was was 80%, a 1% increase from the FY17 average.
- Adherence to working hours and rest days requirements continues to be a challenge for Dell and our industry. Last year we began monitoring the weekly working hours of additional suppliers and we continue to target this area in our supplier capability building efforts.

Compliance with Labor and Human Rights Requirements, FY17-18

	FY18	FY17
Humane Treatment	99%	100%
Freedom of Association	97%	89%
Young Worker Protections	96%	95%
Non-discrimination	93%	81%
Freely Chosen Employment Protections	87%	87%
Proper Wages and Benefits	70%	68%
Working Hours and Rest Days[5]	20%	32%

■ FY18   ■ FY17

[5]*Compliance indicates the percentage of first- and sub-tier factories in our nearly 450 audits last year that complied with RBA provisions, not the number of workers that exceeded 60 working hours per week. In addition to our audits, we tracked the working hours of over 213,000 workers on a weekly basis - 90% of whom worked 60 hours per week or less.*

Compliance represents the number of factories audited that did not have major or priority findings related to RBA Code of Conduct provisions

In FY18 we monitored the working hours and days of rest of over
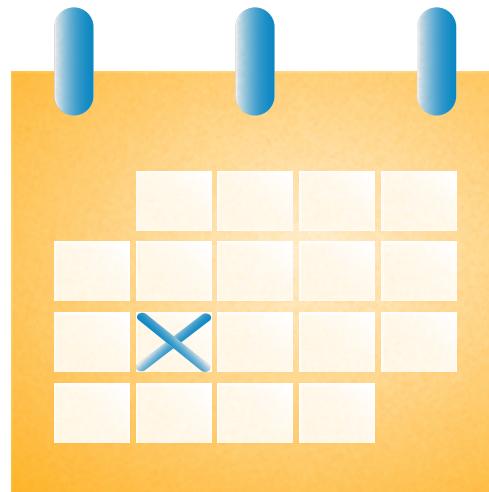
213,000 workers

We expect our suppliers to follow the RBA standard of a maximum 60-hour workweek with one rest day. These cross-industry standards were set with both worker health and productivity in mind. Last year, we tracked nearly 24,000 more workers than in FY17. Nearly 192,000 of the workers we monitored worked 60 hours per week or less.

90% of workers

monitored worked 60 hours or less per week

92% of workers

monitored had at least one day of rest per week

Partnering to Improve Weekly Working Hours

Management of weekly working hours is a key challenge in our industry. This complex issue requires consideration of workers' health and safety, quality of life, earning potential and other factors, including business demand and holidays. Our audits monitor supplier adherence to the RBA standard of a maximum 60-hour work week with one rest day and no mandatory overtime, or local law where it is stricter. A high percentage of our suppliers' factories have audit findings related to weekly working hours — in FY18, 20% of the factories we audited were compliant.

At Dell, we believe this issue is best addressed by working together with suppliers and factory leaders to understand key business drivers and the needs of workers. With that in mind, Dell has established a program aimed at driving improvement in working hours, selecting 24 key supplier factories from among our supply base. We have focused with these suppliers on: strengthening awareness of industry standards for working hours, especially related to a 60-hour or less work week; establishing a governance process to manage the working hours issue and reduce instances of excessive hours; and building supplier capabilities to follow best practices. For example, two suppliers in the program shared their best practices of successfully conducting employee surveys to consider workers' opinions when modifying hours and redesigning job requirements to help reduce weekly working hour needs.

Key to this program is our joint review on a monthly basis of the 24 factories working hour performance. This dialogue helps Dell and factory stakeholders maintain awareness if there is a risk of exceeding weekly working hour standards and provides an opportunity to actively manage the issue. As part of this, factories and Dell specialists monitor these plans together to confirm the availability of resources needed for continuous improvement. A Q1FY19 snapshot showed that at least 95% of workers at all 24 factories worked less than 60 hours per week. At 17 of the factories, 100% of workers worked less than 60 hours per week.

This record of improvement builds on the results in our wider weekly working hour monitoring program - in which 90% of workers monitored at 127 factories worked 60 hours or less a week last year. Going forward, we plan to build on the collaborative processes that have driven improvement at the 24 factories we focused on last year by working with additional factories that experience working hours challenges. We will also continue collaborating with industry peers and stakeholders on solutions.

Dell expects our suppliers to uphold the rights of workers in our supply chain by following both the RBA Code of Conduct and our Vulnerable Worker Policy. These are designed to protect workers and ban behaviors that indicate a risk of human trafficking or child labor at any tier in our supply chain. Our suppliers are contractually bound to adhere to our Vulnerable Worker Policy, which applies to all workers including temporary, migrant, student, contract and direct employees. In addition to these policies, we train factory managers on how to identify human trafficking and forced labor risk indicators. Dell also maintains a hotline that allows workers to directly contact us if they have concerns or grievances. This hotline supplements our expectation that suppliers facilitate open communication and direct engagement with their workers.

In most cases, our supplier's policies indicate positive labor practices. If policies or behaviors considered to be risk factors for human trafficking or child labor are found, Dell executives across procurement and global operations review the findings and allegations and could reduce or suspend business with a supplier. Dell requires the supplier to stop the practice immediately and develop a remediation plan based on RBA requirements and international standards such as United Nations and International Labor Organization conventions.

In FY18 we did not identify any instances of child labor in our supply chain. If this had been found, we would have required the supplier to work with the family to safely transport the child home and pay for a health exam for the child, their educational expenses and other expenses associated with rehabilitation and lost income until the age of 18.

CASE STUDY

Dell Ensured the Return of $2 Million in Recruitment Fees to Migrant Workers

Some workers in our supply chain are migrants that leave their home countries or regions to obtain work. These workers may be recruited by a third-party broker who oversees visa requirements and other issues that must be addressed before a migrant can work with a supplier. We prohibit workers from being required to pay broker fees to employers or recruitment agencies. However, some employers have been found to deduct these fees from workers' salaries — effectively creating bonded labor.

Knowing this is a high-risk issue, we developed a questionnaire to survey 50 supplier factories located in geographic areas considered high risk for non-compliance with our recruitment fee policy. This survey was an effort to proactively monitor this issue at factories not immediately scheduled for an audit as part of our regular audit cycle. We

identified over 5,500 migrant workers from the Philippines, Vietnam, Indonesia and Thailand at the surveyed factories.

Most factories indicated they follow Dell's policy prohibiting workers from being charged recruitment fees. Fourteen factories were found to have deducted recruitment fees ranging from US $140 to $2,500 from foreign worker's salaries. We worked with these suppliers to return over US $2 million in recruitment fees to workers.

In addition, we have used the survey findings to help inform our supplier risk assessment and have scheduled audits of all factories that identified migrant workers to verify their practices are in line with Dell and RBA policies. We will continue to ensure workers are refunded any broker fees paid if our policy is violated.

Dell's commitment to upholding workers' rights applies to all workers in our supply chain. In FY17 we recognized that our programs focused primarily on production workers. So, we set out to establish procedures to confirm vulnerable workers in non-production roles are also treated in accordance with our policies and the RBA Code of Conduct.

Onsite Service Providers (OSPs) provide a variety of non-production services at Dell factories, ranging from janitorial to food service management. OSPs participating in our program complete a self-assessment questionnaire that helps Dell risk assess their conformance to local laws and key provisions of the RBA Code of Conduct. Dell reviews the OSP's policies and practices and Dell SER specialists conduct onsite audits if any OSP shows a high risk of nonconformance. Any findings resulting from these audits are monitored to closure through Dell's standard corrective action plan management process. This process includes cross-functional teams made up of procurement, manufacturing, human resources, and social and environmental responsibility specialists from Dell who drive OSPs to implement corrective actions. OSPs' performance in closing out corrective actions is reviewed by Dell executives bi-monthly until all items are closed.

Since FY17 we have scaled our program with a focus on providers in high-risk locations. In FY19, we are expanding our program to cover OSPs across all geographic areas. We are also working with suppliers to help build their own management systems so they can provide better oversight of the OSPs they use.

FY17 ● Piloted project at Dell's factory in Malaysia

FY18 ● Began expanding program to include high risk geographies

FY19 ● Expanding program to include medium and low risk geographies

CASE STUDY

Improving Wages and Benefits

As part of our efforts to monitor working conditions of non-production workers in our supply chain, last year we audited all OSPs at our factory in Chengdu, China. This uncovered non-compliance with some provisions of the RBA Code of Conduct related to weekly working hours and proper wages and benefits — two areas the electronics industry has been collectively working to improve.

We found instances in which suppliers' calculation of wages and overtime pay were not aligned with the RBA Code of Conduct. Also, some workers were not provided all required forms of social insurance (assistance provided in sickness, unemployment, or retirement) or the amount of paid leave required by the RBA Code of Conduct.

The OSPs developed corrective action plans to bring their practices in line with Dell requirements. We have been working together to modify the methodology for calculating pay and overtime, ensure all workers have social insurance, and put in place new contracts that provide paid annual, sick, and maternity leave to all of the OSPs' workers.

Dell monitors implementation to ensure these corrective action plans are completed — 90% of the findings have been closed and we are continuing to work with OSPs to close all findings.

Safeguarding Health and Safety

Dell fosters manufacturing processes that safeguard worker health and safety. We have adopted the RBA Code of Conduct standards for safe working conditions in our suppliers' and our own operations.
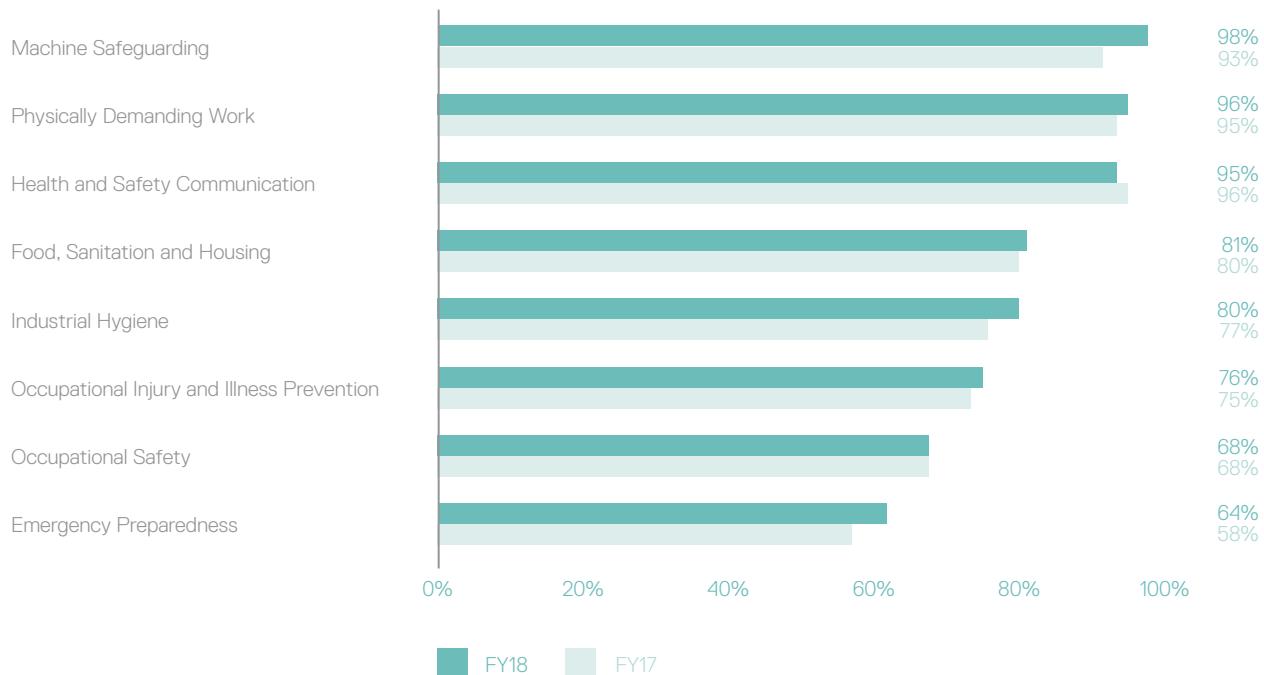
Key Actions:

- Work with our suppliers to deliver health and safety trainings directly to workers
- Address and mitigate risks associated with process chemicals

FY18 Progress:

- In FY18, the average rate of compliance for health and safety requirements was 82%, a 2% increase from the FY17 average.
- The areas with the greatest increases in compliance between FY17 and FY18 related to subjects covered through our newly deployed mobile training program – machine safeguarding and emergency preparedness.

Compliance with Health and Safety Requirements, FY17-18

	FY18	FY17
Machine Safeguarding	98%	93%
Physically Demanding Work	96%	95%
Health and Safety Communication	95%	96%
Food, Sanitation and Housing	81%	80%
Industrial Hygiene	80%	77%
Occupational Injury and Illness Prevention	76%	75%
Occupational Safety	68%	68%
Emergency Preparedness	64%	58%

FY18   FY17

Compliance represents the number of factories audited that did not have major or priority findings related to RBA Code of Conduct provisions

The health and safety of workers across our supply chain is a priority for us. Dell believes workers should be protected from risks associated with manufacturing our products and provided with a safe working environment. Dell requires that workers be provided with suitable safety equipment when appropriate for the task performed. Our expectations extend beyond the production floor — we require factory-owned dormitories, where some workers in our supply chain live, to be maintained, cleaned, safe and provide adequate heat and ventilation.

CASE STUDY

Using Mobile Devices to Improve Worker Engagement

For several years, we have been surveying workers to develop a deeper understanding of their experiences in our supply chain. Based on worker feedback provided through these surveys and the opportunities technology provides to improve workers' experiences, in 2016 we began reaching out directly to workers through their mobile phones.

We learned that many workers in our supply chain were looking for more engagement and personal interaction at work. Many of these workers have moved from their home towns or countries for employment and want to connect with other employees. To help improve this and drive worker well-being, Dell sponsors an app that helps workers connect with one another. For instance, Dell used the app to host a video competition in which workers shared videos on topics of personal interest. Over 1,500 workers across all participating factories viewed the 20 videos submitted and voted for the winner. Workers also had access to more than 100 articles that focused on personal well-being by providing advice such as the importance of getting a good night's rest and travel safety tips for the holidays. In FY18, there was a 33% increase in the number of workers following the Dell-sponsored app for worker engagement.

Workers have a reach that auditors and management do not, making them an important partner in our efforts to generate long term success. We are working with our suppliers to empower workers in our efforts to drive long-term and sustainable change. Together with 20 of our suppliers' factories, we used information from a baseline survey of worker's knowledge of occupational health and safety policies to develop training workers could take through their mobile phones. In FY18, 35,000 workers completed all 13 modules offered in our mobile training program. One area we targeted was the need for daily machine safety checks. A follow-up survey identified that 85% of workers understood machine safety check policies after this training, compared to 75% prior to completing training. The percentage of factories complying with RBA machine safeguarding provisions also increased to 98% in FY18, up from 93% in FY17. We are working to double the number of suppliers participating in our mobile training program in FY19, which will increase our visibility into working conditions in our supply chain. We are also expanding the mobile trainings offered to help meet workers' professional development needs.

In FY18 we partnered with suppliers to provide health and safety training through mobile phones directly to

35,000 workers
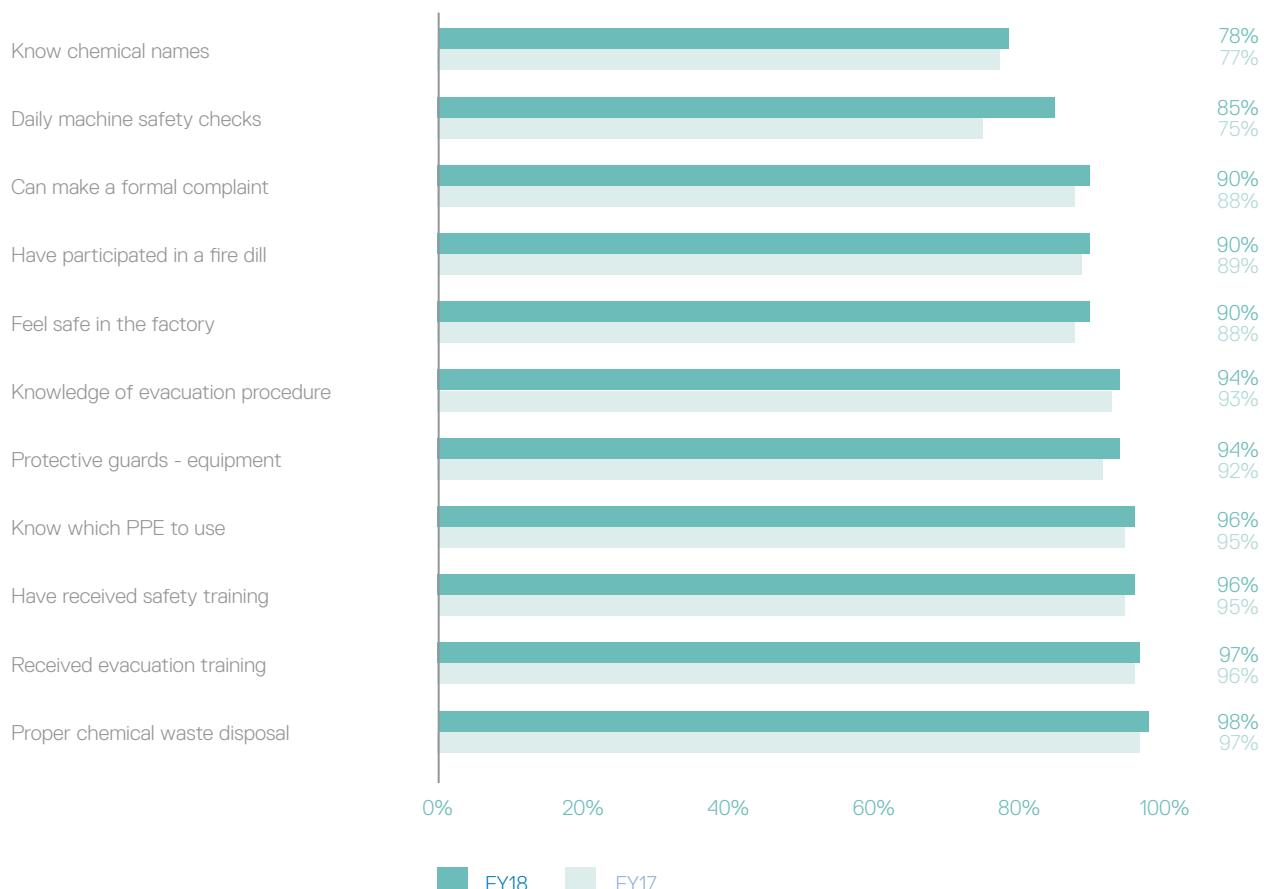
80%

of workers in our suppliers' factories use mobile phones

We worked with suppliers to offer mobile training courses such as:
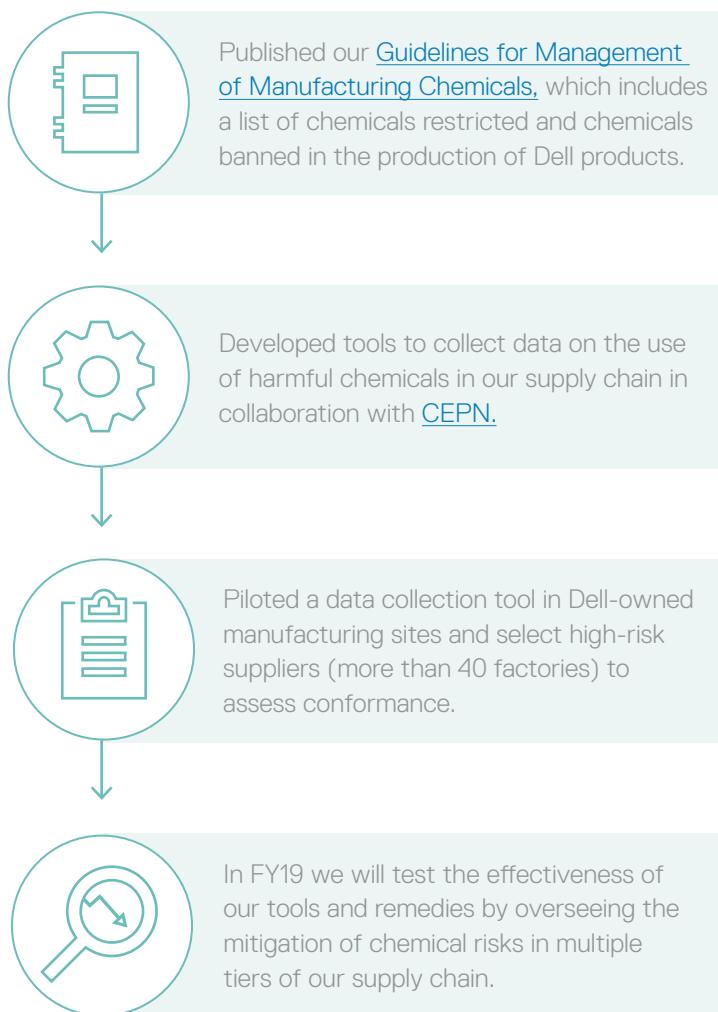
- Fire Safety
- Electrical Safety
- Hazard Identification
- Chemical Hazards
- Personal Protective Equipment

- Electrical Accident Prevention
- Material Removal Safety
- First Aid

Workers' knowledge improved in all areas

Category	FY18	FY17
Know chemical names	78%	77%
Daily machine safety checks	85%	75%
Can make a formal complaint	90%	88%
Have participated in a fire dill	90%	89%
Feel safe in the factory	90%	88%
Knowledge of evacuation procedure	94%	93%
Protective guards - equipment	94%	92%
Know which PPE to use	96%	95%
Have received safety training	96%	95%
Received evacuation training	97%	96%
Proper chemical waste disposal	98%	97%

FY18   FY17

Various chemicals are used throughout the manufacturing process in order to create, assemble and clean our products. Dell's goal is to avoid using chemicals that could seriously harm human health or the environment. We have banned certain substances from Dell products since 2002. Last year, we expanded on these efforts by publishing our Guidelines for Manufacturing Process Chemicals. This restricts the use of specific chemicals during some manufacturing processes. We also developed tools to monitor the chemicals used in our supply chain and help suppliers mitigate associated risks. We first focused on chemicals used in cleaning and degreasing because these are found at multiple levels of our supply chain. This allows us to ensure the effectiveness of our tools and protocols before we tackle a wider variety of chemical risks across our manufacturing supply chain.

100% **of our final assembly suppliers** are free of our restricted chemicals, preventing worker's exposure to these hazardous chemicals

Published our Guidelines for Management of Manufacturing Chemicals, which includes a list of chemicals restricted and chemicals banned in the production of Dell products.

Developed tools to collect data on the use of harmful chemicals in our supply chain in collaboration with CEPN.

Piloted a data collection tool in Dell-owned manufacturing sites and select high-risk suppliers (more than 40 factories) to assess conformance.

In FY19 we will test the effectiveness of our tools and remedies by overseeing the mitigation of chemical risks in multiple tiers of our supply chain.

Reducing Our Environmental Footprint

At Dell, we are committed to acting in an environmentally responsible manner. We recognize that our interactions with the environment can and do impact people, so we look for ways to minimize our impact at every step.
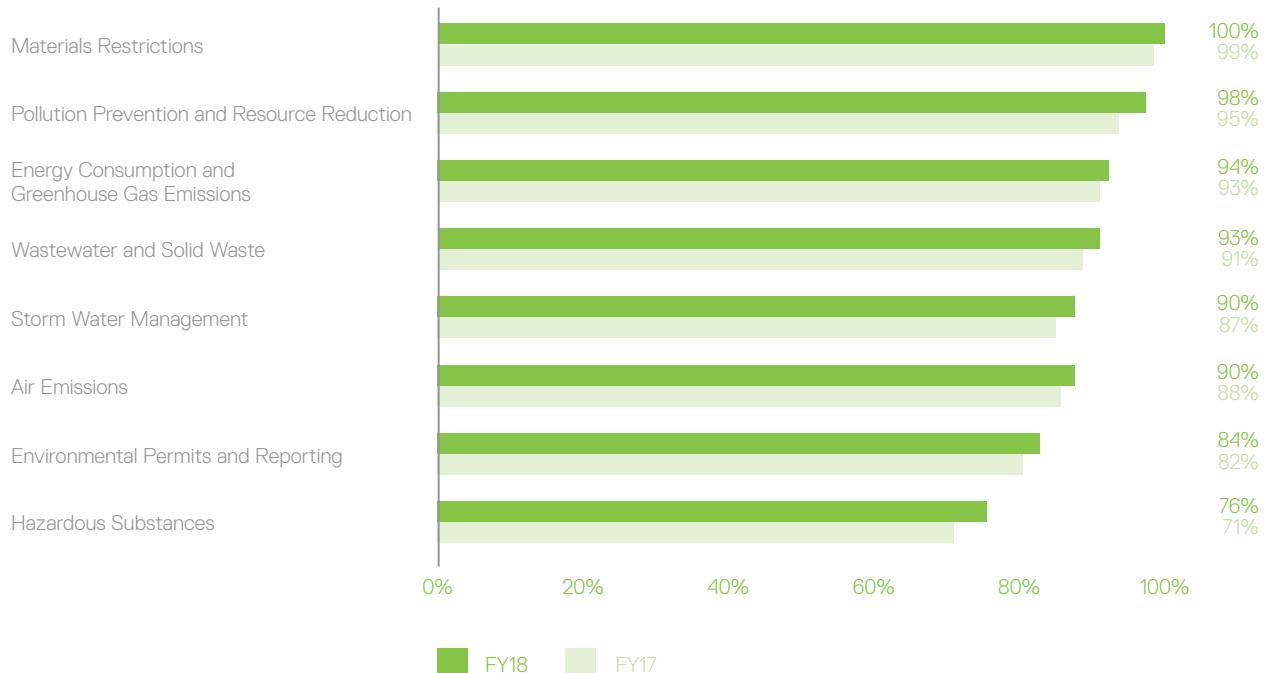
Key Actions:

- Track the environmental impact of our supply chain via supplier reporting programs
- Reduce water used, energy expended, waste released, and environmental risks in our supply chain

FY18 Progress:

- Our audited suppliers improved compliance with all environmental requirements compared to FY17. In FY18, the average rate of compliance with environmental requirements was 91%.
- The greatest improvement in compliance in FY18 was the handling of hazardous substances. This is an area in which we expanded our focus, and in FY19 we will continue to build suppliers capabilities to drive compliance.

Compliance with Environmental Requirements, FY17-18

Category	FY18	FY17
Materials Restrictions	100%	99%
Pollution Prevention and Resource Reduction	98%	95%
Energy Consumption and Greenhouse Gas Emissions	94%	93%
Wastewater and Solid Waste	93%	91%
Storm Water Management	90%	87%
Air Emissions	90%	88%
Environmental Permits and Reporting	84%	82%
Hazardous Substances	76%	71%

■ FY18   ■ FY17

Compliance represents the number of factories audited that did not have major or priority findings related to RBA Code of Conduct provisions

The first step to delivering positive environmental impacts for the future is to determine where we are today. We ask our suppliers to report on the environmental impact of water, energy, and waste in their activities so we can better manage the resources used in our supply chain.

150 suppliers have submitted water mitigation plans

To reduce water use in our supply chain, we have collected water mitigation plans from 150 of our supplier's factories. We are on track to meet our 2020 goal, which requires our top 250 direct materials supplier factories in water-stressed regions or with water intensive processes to develop water risk mitigation plans.

94% of direct materials suppliers (by spend) reported their greenhouse gas emissions

Emissions in our supply chain form a material part of the overall footprint of our products. It is our goal that by 2020, suppliers representing 95% of direct materials spend will publicly report their greenhouse gas emissions. In FY18, 94% of these suppliers (by spend) reported emissions. We also ask these suppliers to set GHG emissions reduction targets. In FY18, suppliers representing 84% of direct materials spend reported these targets. In addition, 77% of our key logistics suppliers report their greenhouse gas emissions and 60% set GHG emissions.

90% of our suppliers published sustainability reports

We work with our suppliers to increase transparency in their own sustainability programs. It is our goal that by 2020, suppliers representing 95% of our direct materials spend will publish sustainability reports meeting the Global Reporting Initiative's (GRI) or equivalent standards for sustainability reporting. We increased our progress toward this goal by 3% last year.

Ranked 2nd overall in the Green Choice Alliance Corporate Information Transparency Index

Dell and the Green Choice Alliance Corporate Information Transparency Index use information reported by our suppliers in China to assess the environmental performance of our supply chain. Last year we also collected this information from 15 factories in other regions that produce components with known risks for releasing toxic chemicals during production. We have begun training our suppliers to help prevent the future release of chemicals that could harm the environment.

It is important to ensure access to clean, potable water - both to help our suppliers' continue to deliver goods and for the well-being of their employees and the communities in which they operate. Some of our suppliers' factories are located in water-stressed regions or produce components which require water-intensive manufacturing processes. Dell works with these suppliers to mitigate their water risks. We ask these suppliers to report information on their water use, and use this to collaboratively determine their water footprint. We also provide training to help our suppliers develop robust and impactful conservation strategies that reduce water consumption in our supply chain.

CASE STUDY

Addressing Common Water Risks through Water Stewardship

Water is a shared resource, meaning water risks extend beyond factory boundaries. To address these shared risks, in FY18 Dell introduced water stewardship as a key element of our water risk mitigation program. Water stewardship expands our efforts beyond the efficient use of water in our supply chain – it includes managing water as a shared resource.

Our water stewardship efforts are focused on ensuring collaboration within catchment areas. We kicked this off by organizing a roundtable with stakeholders including suppliers, local community representatives, other consumer brands, and industry groups to address water risks in China's Tai-hu Lake catchment.

During the roundtable in FY18, participants discussed both challenges and solutions to issues such as increasing the use of recycled water, implementing water metering management, and storing and treating wastewater sludge. In FY19, Dell is providing support to our suppliers and driving collaborative efforts to address the common risks that were identified in this catchment area.

More information on our work in this area is available here.
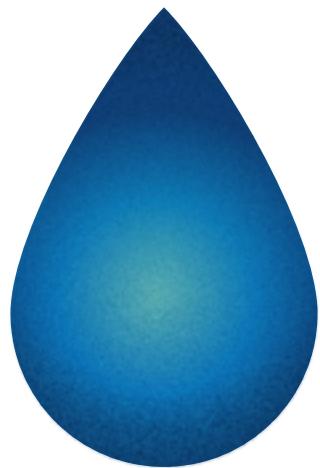
The top water risks identified in our supply chain primarily fall into four categories:

- Freshwater usage risks such as water wasted during manufacturing, pollution, etc.
- Wastewater discharge risks such as excessive wastewater discharge
- Accidents such as wastewater treatment system failures, fires, etc.
- Natural disasters such as pollution due to flooding, drought, etc.

Last year our suppliers implemented 110 projects to reduce water usage and wastewater discharge. These projects:

Saved over

815,000 meters^3

of freshwater

Reduced wastewater discharge by

2.4 million meters^3

Dell is committed to working with our suppliers to increase the adoption of environmentally-responsible business practices. We developed a tool to help select suppliers proactively reduce the environmental impact of their operations. The tool uses a questionnaire to help identify potential regulatory and environmental risks based on location, local planning requirements, and the supplier's own prevention systems. Suppliers address all risks identified through this tool in consultation with Dell experts.

We introduced our tool two years ago and have worked with over 40 factories to date to address risks such as waste disposal and the release of pollutants. We will be including connector and LCD suppliers in our program in FY19, further increasing opportunities to help suppliers reduce their environmental impact.

20 **factories participated** in FY18, including factories that manufacture batteries and printed circuit boards which are known to have environmentally-intensive processes

108 **environmental risks identified** in FY18 such as the need for increased ecological protection or pollution reduction

98% **of identified risks were mitigated** through actions such as updating emergency plans, updating permits, and establishing waste management programs

CASE STUDY
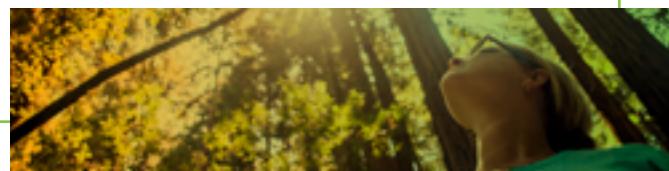
Joining Forces to Address Environmental Concerns

When community members raised concerns about noise and odor coming from one of our supplier's factories, we worked together to address the issue. Dell and our supplier hosted a roundtable with community members and management. This led to a common understanding of the issues and facilitated solutions.

As part of our commitment to transparency, Dell worked with the supplier to bring community members to tour the factory and see the corrective actions that were put in place. These included

changes such as limiting nighttime production and increasing the height of noise-preventing walls. Dell also set up a mobile chat group, ensuring an easily accessible communication channel for the supplier and community members.

Our supplier has continued to engage with the community since addressing these issues by hosting a monthly Open Day for community representatives to regularly visit the factory.

Reducing Energy Use in Our Supply Chain

We have been working with our suppliers to understand their current energy efficiency initiatives and identify the renewable energy they source. Dell recognizes the importance of setting science-based GHG emissions targets, and beginning in FY19 we are providing our supplier's with capability training to enable this. We are combining this training with the development of tools and processes which will allow us to accurately report GHG emissions reductions and inform our future goal setting. Some of Dell's suppliers have already begun implementing projects to reduce their energy use. For example, two Dell suppliers in China implemented changes that saved over 1.6 million kilowatt hours last year - enough to power 1,230 homes for a year.

Yuitian Electronics Co., Ltd. (Taicang)

Saved

1,150,000 kWh

- Established inspection process to promptly identify and address leakage in equipment and systems
- Provided training and raised employee awareness about energy saving measures
- Upgraded technologies such as lights, ovens, and air conditioning

Wujiang Yichangtai Electronics Co., Ltd.

Saved

533,400 kWh

- Evaluated production line requirements to adjust temperature and humidity controls
- Established inspection process to promptly identify and address leakage in equipment and systems
- Shutdown air and power supply to production lines during off hours
- Upgraded technologies such as lights and cooling towers

Enhancing Supplier Business Practices

We work with suppliers to enforce the highest standards of responsible business practices. We also believe a diverse supply chain that provides equal access to underutilized businesses is best suited to serve our customers' needs.

Key Actions:

- Conduct due diligence for the responsible sourcing of 3TG and cobalt
- Enhance supplier security and resiliency
- Support a diverse supply base

FY18 Progress:

- Last year, 100% of factories audited had due diligence procedures surrounding the minerals commonly known as 3TG.
- Our suppliers have achieved a minimum 98% compliance rate for all Ethics requirements two years in a row. We continue to work with suppliers to support compliance with all RBA requirements and our Supplier Principles.

Compliance with Ethics Requirements, FY17-18

Category	FY18	FY17
Responsible Sourcing of Minerals	100%	98%
No Improper Advantage	99%	99%
Privacy	99%	99%
Intellectual Property	99%	98%
Protection of Identity and Non-Retaliation	99%	98%
Business Integrity	98%	97%
Fair Business, Advertising and Competition	99%	96%
Disclosure of information	97%	98%

FY18   FY17

Compliance represents the number of factories audited that did not have major or priority findings related to RBA Code of Conduct provision

Responsible Sourcing

We are committed to responsibly sourcing materials used in our products, which is an important part of producing electronics. This includes integrating sustainable materials into our products and packaging and designing programs to take back end-of-use IT equipment. More information about these activities can be found on our website.

Responsible sourcing also requires due diligence to ensure the materials we use meet our standards. This is especially true with the various minerals that are required to produce our products. Some of these minerals have been associated with the financing of armed conflict and human rights abuses. Because Dell does not use minerals in their raw form or purchase them directly from mining companies or smelters, we engage our suppliers to prevent human rights abuses and other negative impacts associated with the mining of minerals. In FY18, the factories we audited had 100% compliance with RBA provisions for the responsible sourcing of minerals. These provisions require suppliers to have policies to assure that tin, tantalum, tungsten, and gold – commonly known as 3TG – do not benefit armed groups or contribute to human rights abuses in high-risk and conflict-affected areas.

In addition to following the RBA Code of Conduct, Dell follows the Organization for Economic Development's (OECD) Due Diligence Guidance and participates in multi-stakeholder initiatives such as the Responsible Minerals Initiative (RMI), which provides tools we use to map the minerals supply chain and verify that smelters and refiners responsibly source minerals. Our Responsible Sourcing Policy outlines the additional steps we take to purchase minerals. We expect our suppliers to conduct the same due diligence outlined in this policy and we have put systems in place to monitor our suppliers sourcing of 3TG. We have also expanded our requirements to other minerals and are mapping our supply chain for cobalt. For in-depth information regarding our responsible sourcing activities, including details on how we address conformance, please see Dell's Responsible Minerals Sourcing Report.

In FY19, we are partnering with IMPACT to help protect the human rights of women in mining communities. We will be supporting the training of women in an artisanal and small-scale mining community within the Democratic Republic of the Congo to help them build their own businesses.

Enhancing Supplier Resilience

The RBA Code of Conduct requires the protection of intellectual property rights and a commitment to protect the privacy of customers and business partners. We expect this of our suppliers, and have also put in place additional requirements to help secure our supply chain above and beyond RBA requirements.

One way Dell safeguards our products from security threats that could put our customer's privacy or intellectual property at risk is by measuring our suppliers' product security procedures against industry best practices. High priority suppliers are required to complete a Dell-designed assessment of their practices for delivering secure products. Dell subject matter experts use information provided through this assessment to collaborate with suppliers and help mitigate potential security breaches by issuing corrective actions. Dell has worked with nearly 150 suppliers to make certain they use industry best practices to mitigate counterfeit components, tainted software, and intellectual property theft and improve their firmware and software engineering practices and physical site security. The average score for suppliers that completed our program last year improved from 57% with their initial evaluation to 98%.

Potential Product Security Threats	Example Supplier Corrective Action Plans
• Physical/border security risks	• Become C-TPAT certified
• Packaging that is not tamper-evident	• Require use of tamper proof tape
• Counterfeit and taint parts	• Create a process for purging counterfeit parts
• Firmware, software and embedded logic risks	• Implement malware detection tools and/or create a process for threat modeling

Dell also proactively works with our suppliers to assess the impact of and mitigate risks that could occur if their operations were disrupted due to security issues or unexpected environmental, financial, and social events. Each supplier providing parts to Dell is monitored for adverse events on a 24/7 basis. Last year we enhanced our program by extending our data collection more deeply into our supply chain. This allowed us to better understand supplier readiness in case of a disruption. These efforts improve the resiliency of our supply chain and help us continue to deliver the quality products our customers expect, without disruption, if an unexpected event occurs.

We partner with companies that share our vision of doing business the right way and believe that suppliers from various backgrounds help us to best serve our global customer base. We also prioritize sourcing from suppliers that have strong supplier diversity programs themselves, and include supplier diversity language in contractual agreements.

In FY18 we conducted business with nearly 750 diverse Tier 1 businesses

We define diverse suppliers as businesses that are at least 51% owned by women, minorities, or disabled persons and in FY18 we expanded our definition to include LGBT and more veteran-owned businesses. A list of the organizations we work with to identify small and diverse organizations can be found on our website.

We spent over $3 billion with diverse Tier 1 businesses in each of the past six years

We encourage our suppliers to use diverse suppliers in their supply chains. In FY18 we tracked how much 100 key suppliers spent with diverse suppliers – which exceeded $350 million. We plan to track diversity spending among 125 key suppliers in FY19.

CASE STUDY

Supporting Our Diverse Suppliers' Long-Term Growth
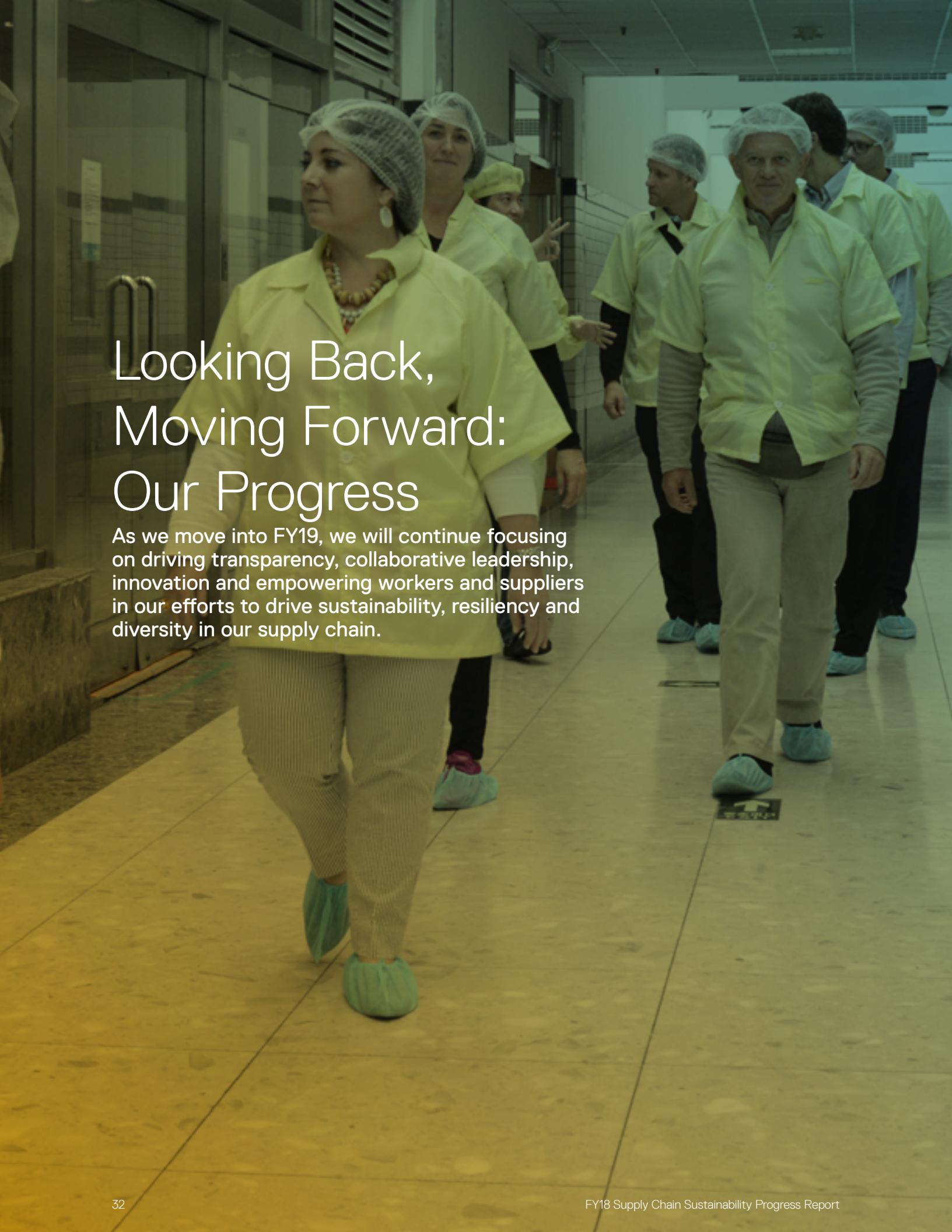
Dell has long engaged with diverse suppliers to develop skills that will increase their success working with large companies. Last year we launched our Supplier Diversity Development Program to enhance these efforts. This program focuses on helping suppliers develop long-term action plans to expand their operations. Our initial cohort included seven suppliers from different industries.

Participating suppliers are provided over 40 hours of training, networking, and mentorship. These engagements focus on capability building, business management training, goal setting, mentorship and collaborative networking with other Dell suppliers and executives. This combination of resources helps our suppliers gain the necessary skills and confidence to engage with more stakeholders within Dell and other large corporations.

Over the next year, we will continue to track our spending with these suppliers as well as their overall progress. We are continuing to grow and develop this program to provide additional support to our diverse suppliers in the future.

Looking Back,
Moving Forward:
Our Progress

As we move into FY19, we will continue focusing on driving transparency, collaborative leadership, innovation and empowering workers and suppliers in our efforts to drive sustainability, resiliency and diversity in our supply chain.

Highlights

FY18 Progress Highlights	FY19 Priorities

Systems to Manage Supplier Risk

• Audited 91% of high-risk suppliers (including first-tier and sub-tier), exceeding industry standards. • Added more online training options to increase access to capability building programs. Nearly 800 unique participants from over 290 suppliers completed at least one capability building training. Some of these participants went on to give trainings at their factories — benefiting nearly 8,000 additional people. • First company to provide a Supply Chain Virtual Reality experience, enabling more customers to visit our supply chain.	• Audit 100% of high risk suppliers. • Continue to expand the number of countries in which we provide in-person training programs.

Upholding Workers Rights

• 90% of workers monitored worked 60 hours or less per week and 92% of workers monitored had at least 1 day of rest per week. • Ensured over $2 million in recruitment fees were refunded to workers. • Expanded our efforts to monitor the working conditions of non-production workers and closed corrective actions to address related audit findings.	• Continue working with suppliers and the industry to implement practices that address weekly working hours. • Audit all suppliers considered to be high risk for withholding recruitment fees and ensure workers are repaid these fees if any violations are found. • Expand our monitoring of non-production workers to additional locations.

Safeguarding Health and Safety

• 33% increase in followers of the worker engagement app sponsored by Dell. • Reached 35,000 workers through Dell-sponsored mobile training programs. • Final assembly suppliers had 100% compliance with our manufacturing restricted substances list.	• Double the number of suppliers participating in our mobile training program and expand the courses offered to provide additional professional development opportunities for workers in our supply chain. • Oversee use of monitored substances and deploy risk mitigation framework for process chemicals program.

Reducing Our Environmental Footprint

• Collected water risk mitigation plans from an additional 50 suppliers — 150 collected to date. • Received the #2 ranking among all industries in the IPE's Corporate Information Transparency Index. • Introduced the concept of water stewardship to our water risk mitigation program. • Mitigated 98% of environmental risks identified with suppliers through Dell's environmental risk mitigation tool.	• Collect water risk mitigation plans from 50 additional suppliers. • Train suppliers around developing science based targets to enhance public reporting to entities such as CDP and GRI. • Launch processes and tools to enable accurate reporting of reductions of GHG emissions in our supply chain. • Build on our collaborative efforts to implement changes that help address commonly-identified water risks in the Tai-hu Lake catchment. • Expand our environmental risk mitigation efforts to include LCD and connector suppliers.

Enhancing Supplier Business Practices

• Increased the number of 3TG smelters in our supply chain that are compliant with the Responsible Minerals Assurance Process (RMAP), benchmarked our suppliers' policies on the responsible sourcing of cobalt and added mica to our responsible sourcing expectations. • Expanded supplier diversity work to include LGBT and veteran-owned businesses.	• Support the training of women in an artisanal and small-scale mining community within the Democratic Republic of the Congo to help them build their own businesses. • Increase the number of identified Tier 1 suppliers from whom we Track Tier 2 diverse spend.

Key Performance Indicators

Key Performance Indicator	FY18	Change from FY17	Notes
SER Compliance	Audits are a key step in our efforts to drive responsible and sustainable business practices throughout our supply chain. As part of our commitment to transparency, we have been proactively working to increase our audit coverage.		
Number of initial audits[6] conducted	217	↓ (-1)	We audit all high-risk factories on a two-year cycle and also include select medium- and low-risk factories in our audit plan. All Dell factories are audited regardless of risk level.
Percentage of high-risk factories audited	91%	↑ (+1%)	It is Dell's goal to audit 100% of high risk factories on a two-year cycle. 91% of our high-risk supplier factories (including first-tier and sub-tier supplier factories) underwent RBA third-party audits in FY17-FY18. We will continue to work to audit all high-risk factories in FY19.
Issue Closure	If a non-conformance is identified during an audit, suppliers are required to develop and implement corrective action plans. These help suppliers to remediate any issues identified and improve conformance with our expectations for responsible business practices.		
Number of closure audits conducted	231	↓ (-7)	When audit findings happen, we work with suppliers to correct them. Closure audits are used to confirm that findings from initial audits have been resolved.
Percentage of priority findings closed or downgraded	85%	↑ (+4%)	The most severe findings our audits uncover are labeled priority, and suppliers are required to close these within RBA-defined timelines. More details regarding priority findings uncovered during audits conducted in FY18 can be found here. The percentage of priority findings closed or downgraded is a cumulative number and represents a snapshot of our progress as of Q1FY19. We continue to monitor all open priority findings until a closure audit confirms they have been resolved.
Percentage of audit findings closed	82%	↑ (+3%)	Suppliers are required to submit corrective action plans to address any findings of noncompliance uncovered in an audit, and close findings within RBA-defined timelines. This indicator is a cumulative number and provides a snapshot of the percentage of audit findings that had been closed as of Q1FY19. We monitor all open findings until they have been confirmed to be resolved, typically through a closure audit.
Capability Building	We partner with our suppliers to achieve continuous improvement in our supply chain. Central to this effort is supplier attendance at our training programs, which are designed to help suppliers address audit findings and build their own capabilities to exceed our standards in the long run.		
Number of unique participants attending capability building programs	793	(CBD)	In addition to the 793 participants that attended our training programs last year, participants in our RBA learning academy went on to provide training in their factories — reaching nearly 8,000 additional people. Last year we modified our tracking of this indicator to count the number of unique, rather than total, participants that completed our programs.
Number of unique supplier factories participating in capability building programs	293	(+154%) ↑	More than 290 supplier factories were represented by 793 participants that completed our trainings last year. Although we previously tracked this information, this is a new key performance indicator we are reporting in FY18.

[6]Initial audits refer to the first audit a factory undergoes during a two-year cycle, not necessarily the first audit undertaken of the factory.

CBD=Cannot Be Determined

Key Performance Indicator	FY18	Change from FY17	Notes
Weekly Working Hours			Non-conformance with weekly working hours and rest days are frequently encountered among suppliers across the electronics industry. To help drive corrective actions to improve compliance with industry standards, we monitor the weekly working hours and days of rest of workers at suppliers with a finding of non-conformance.
Percentage of workers compliant with 60 -hour workweek	90%	↓ (-1%)	We added 14 factories to our monitoring program last year — increasing the number of workers monitored by almost 24,000 (over 213,000 workers monitored in total). As a result, the overall number of workers we monitored that worked 60 hours or less/week increased by more than 22,000, although the percentage of workers monitored that met this standard decreased.
Percentage of workers compliant with one rest day per week	92%	↑ (+2)	Almost 196,000 workers that we monitored in FY18 received at least one day of rest per week.
Environmental Monitoring			We are committed to using resources responsibly and expect our suppliers to do the same. As part of this commitment, we require our suppliers to provide transparency into their own sustainability efforts and use information they report about their environmental impact to guide our collaborative efforts to better manage resources within our supply chain.
Cumulative number of supplier factories submitting five-year water risk mitigation plans	150	↑ (+50)	We are on track to have water risk mitigation plans from our top 250 direct materials factories in water-stressed regions or with water intensive processes by 2020.
Percentage of direct materials spend represented by suppliers publicly reporting GHG emissions	94%	↑ (+4%)	We are on track to have suppliers representing 95% of direct materials spend report on their emissions inventory by 2020. We also ask our direct materials suppliers to set GHG emissions reduction targets, which 84% currently comply with. We continue to work with suppliers to increase both emissions reporting and the setting of GHG reduction targets.
Percentage of direct materials spend represented by suppliers with sustainability reports	90%	↑ (+3%)	We encourage our suppliers to provide transparency into their own sustainability efforts. It is our goal that by 2020, suppliers representing 95% of our direct materials spend will publish sustainability reports meeting the Global Reporting Initiative's (GRI) or equivalent standards for sustainability reporting.

RBA Code of Conduct Audit Results

RBA Code of Conduct Provision	Number of Factories with a Finding of Non-Compliance[7] (FY18)									FY18	FY17
	ODM/Final Assembly[8]	Components	Display/LCD	Accessories	Battery	Networking	Services	Sub-tier[9]	Total	Percentage of Factories in Compliance	Percentage of Factories in Compliance
Management Systems											
Company commitment	0	0	1	0	0	0	0	2	3	99%	99%
Corrective action process	0	1	0	1	0	0	0	4	6	98%	97%
Documentation and records	0	0	0	0	0	0	0	1	1	100%	98%
Supplier responsibility	1	6	2	5	1	0	0	19	34	90%	88%
Management accountability and responsibility	0	2	1	1	0	0	0	5	9	97%	93%
Legal and customer requirements	0	2	1	1	0	0	0	8	12	97%	92%
Risk assessment and risk management	0	3	2	1	0	0	0	11	17	95%	90%
Improvement objectives	0	1	1	1	0	0	0	8	11	97%	92%
Training	0	2	1	0	0	0	0	4	7	98%	96%
Communication	0	0	1	0	0	0	0	4	5	99%	96%
Worker feedback and participation	1	0	0	0	0	0	0	0	1	100%	99%
Audits and assessments	0	1	1	3	0	0	0	8	13	96%	94%
Labor & Human Rights											
Freely chosen employment protections	3	9	9	1	0	0	0	24	46	87%	87%
Young worker protections	1	2	4	1	1	0	0	6	15	96%	95%
Working hours and rest days[10]	14	65	21	20	6	1	2	146	275	20%	32%
Proper wages and benefits	4	18	7	10	4	0	2	59	104	70%	68%
Humane Treatment	1	0	2	0	0	0	0	0	3	99%	100%
Non-discrimination	2	4	3	0	0	0	1	13	23	93%	81%
Freedom of association	1	1	1	2	0	0	1	5	11	97%	89%

[7]Includes major and priority findings at Original Design Manufacturers, Final Assembly and Direct Material suppliers with whom we have a direct relationship as well as certain sub-tier suppliers which are known to be in Dell's supply chain but for which Dell does not have a direct contractual relationship. The same supplier factories were not necessarily audited in FY17 and FY18.

[8]ODM/Final Assembly findings include Dell factories.

[9]Sub-tier includes certain suppliers which are known to be in Dell's supply chain but for which Dell does not have direct contractual relationship.

[10]Compliance indicates the percentage of first- and sub-tier factories in our nearly 450 audits last year that complied with RBA provisions, not the number of workers that exceeded 60 working hours per week. In addition to our audits, we tracked the working hours of over 213,000 workers on a weekly basis - 90% of whom worked 60 hours per week or less.

| RBA Code of Conduct Provision | Number of Factories with a Finding of Non-Compliance[7] (FY18) | | | | | | | | FY18 | FY17 |
	ODM/Final Assembly[8]	Components	Display/LCD	Accessories	Battery	Networking	Services	Sub-tier[9]	Total	Percentage of Factories in Compliance	Percentage of Factories in Compliance
Health & Safety											
Occupational safety	2	22	9	9	1	1	3	63	110	68%	68%
Emergency preparedness and response	5	25	11	9	1	1	2	70	124	64%	58%
Occupational injury and illness prevention	1	17	7	11	2	0	1	43	82	76%	75%
Industrial hygiene	1	12	3	11	2	0	1	40	70	80%	77%
Physically demanding work	0	4	1	1	1	0	0	7	14	96%	95%
Machine safeguarding	0	2	0	1	0	0	0	5	8	98%	93%
Food, sanitation and housing	3	18	9	3	0	0	0	33	66	81%	80%
Health and safety communication	0	5	0	2	0	0	0	10	17	95%	96%
Environment											
Environmental permits & reporting	1	6	2	2	2	0	0	43	56	84%	82%
Pollution prevention & resource reduction	0	1	1	2	0	0	0	2	6	98%	95%
Hazardous substances	2	16	6	2	1	0	1	56	84	76%	71%
Wastewater and solid waste	1	5	2	2	0	0	0	15	25	93%	91%
Air emissions	1	6	1	1	0	0	0	25	34	90%	88%
Materials restrictions	0	0	0	0	0	0	0	1	1	100%	99%
Storm water management	1	7	5	3	0	0	0	18	34	90%	87%
Energy consumption & greenhouse gas	0	4	0	5	1	0	0	9	19	94%	93%
Ethics											
Business integrity	1	0	2	1	0	0	0	2	6	98%	97%
No improper advantage	0	1	0	0	0	0	0	1	2	99%	99%
Disclosure of information	0	1	0	1	0	0	0	7	9	97%	98%
Intellectual property	0	1	0	1	0	0	0	1	3	99%	98%
Fair business, advertising and competition	0	1	0	0	0	0	0	2	3	99%	96%
Protection of identity and non-retaliation	1	0	0	0	0	0	0	2	3	99%	99%
Privacy	0	2	0	1	0	0	0	1	4	99%	99%
Responsible sourcing of minerals	0	0	0	0	0	0	0	1	1	100%	98%

[7]*Includes major and priority findings at Original Design Manufacturers, Final Assembly and Direct Material suppliers with whom we have a direct relationship as well as certain sub-tier suppliers which are known to be in Dell's supply chain but for which Dell does not have a direct contractual relationship. The same supplier factories were not necessarily audited in FY17 and FY18.*

[8]*ODM/Final Assembly findings include Dell factories.*

[9]*Sub-tier includes certain suppliers which are known to be in Dell's supply chain but for which Dell does not have direct contractual relationship.*

Status of Priority Findings (FY18)

The RBA audit process includes three levels of non-conformance: priority, major, and minor. Priority findings are the most severe findings that can be issued. When priority findings are identified, we require suppliers to submit corrective action plans to fully address and close the finding within RBA-defined timelines. In some cases, suppliers may be required to immediately take steps to protect workers, such as removing workers from exposure to an issue or designating areas as off-limits until corrective actions are implemented.

Closure audits are used to verify all priority findings have been addressed. In FY18 our audits uncovered 121 priority findings. A snapshot in Q1FY19 showed that 72% of the factories with a priority finding identified in FY18 had closed or downgraded the finding. We are continuing to conduct follow-up audits to ensure the remaining findings are addressed.

RBA Code of Conduct Provision	% of Audited Factories Without a Priority Finding[11]	% of Audited Factories that Have Closed or Downgraded Priority Findings[11]	% of Audited Factories in Process of Improvement (Priority Findings)[11]
Management Systems			
Company commitment	100%	0%	0%
Corrective action process	100%	0%	0%
Documentation and records	100%	0%	0%
Supplier responsibility	100%	0%	0%
Management accountability and responsibility	100%	0%	0%
Legal and customer requirements	100%	0%	0%
Risk assessment and risk management	100%	0%	0%
Improvement objectives	100%	0%	0%
Training	100%	0%	0%
Communication	100%	0%	0%
Worker feedback and participation	100%	0%	0%
Audits and assessments	100%	0%	0%
Labor & Human Rights			
Freely chosen employment protections	97%	1%	3%
Young worker protections	98%	1%	1%
Working hours and rest days[12]	88%	8%	6%
Proper wages and benefits	97%	3%	0%
Humane Treatment	100%	0%	0%
Non-discrimination	100%	0%	0%
Freedom of association	100%	0%	0%

[11]*Percentages include rounding. Some factories may show up in more than one column as a result of having multiple priority findings at different stages in the process of continuous improvement.*

[12]*Indicates the percentage of first- and sub-tier factories in our nearly 450 audits last year that had priority findings related to RBA provisions, not the number of workers that exceeded 60 working hours per week. In addition to our audits, we tracked the working hours of over 213,000 workers on a weekly basis - 90% of whom worked 60 hours per week or less.*

RBA Code of Conduct Provision	% of Audited Factories Without a Priority Finding[11]	% of Audited Factories that Have Closed or Downgraded Priority Findings[11]	% of Audited Factories in Process of Improvement (Priority Findings)[11]
Health & Safety			
Occupational safety	100%	0%	0%
Emergency preparedness and response	97%	2%	1%
Occupational injury and illness prevention	100%	0%	0%
Industrial hygiene	99%	0%	0%
Physically demanding work	99%	0%	0%
Machine safeguarding	100%	0%	0%
Food, sanitation and housing	100%	0%	0%
Health and safety communication	100%	0%	0%
Environment			
Environmental permits & reporting	100%	0%	0%
Pollution prevention & resource reduction	100%	0%	0%
Hazardous substances	100%	0%	0%
Wastewater and solid waste	100%	0%	0%
Air emissions	100%	0%	0%
Materials restrictions	100%	0%	0%
Storm water management	100%	0%	0%
Energy consumption & greenhouse gas	100%	0%	0%
Ethics			
Business integrity	100%	0%	0%
No improper advantage	100%	0%	0%
Disclosure of information	99%	1%	1%
Intellectual property	100%	0%	0%
Fair business, advertising and competition	100%	0%	0%
Protection of identity and non-retaliation	100%	0%	0%
Privacy	100%	0%	0%
Responsible sourcing of minerals	100%	0%	0%

[11]*Percentages include rounding. Some factories may show up in more than one column as a result of having multiple priority findings at different stages in the process of continuous improvement.*

Other Related Reports and Dell's Supply Chain Policies

Dell's 2020 Legacy of Good

Dell Supplier Principles

Dell Vulnerable Worker Policy

Human Rights and Labor Policy

Responsible Minerals Sourcing Policy

Guidelines for Management of Manufacturing Process Chemicals

Responsible Minerals Sourcing Report

Dell Supplier Diversity Overview

Dell's Public Supplier List

Dell's Supply Chain Sustainability website

Feedback

Transparency and collaborative leadership are key pillars of our sustainability strategy. We value feedback or questions you may have regarding this report or Dell's approach to supply chain sustainability. If you would like to contact us regarding information in this report, please email us at SCSustainability@dell.com.